



# Committee On Finance

Max Baucus, Ranking Member

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## NEWS RELEASE

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## STATEMENT OF SENATOR MAX BAUCUS HEARING ON TREASURY SECRETARY NOMINEE JOHN SNOW

Chairman Grassley, I want to congratulate you for resuming the chairmanship of the Committee. Last Congress, you and I worked closely together, across the political aisle, to find common approaches to our nation's problems. We worked together on everything from tax cuts to prescription drug coverage. I know I speak for everyone on this side when I say that I look forward to working in that same spirit during the coming Congress. I also would like to join you in welcoming the new members to the committee, Senators Santorum, Frist, Smith, and Bunning.

Now let me turn to the subject of today's hearing. We are pleased to consider the nomination of John Snow to be the seventy-third Secretary of the United States Treasury Department.

Mr. Snow, you have been nominated to one of the most important positions in government. The Treasury Department was created in 1789, shortly after the first Congress convened. It has been led by some of our most distinguished public servants, from Alexander Hamilton on. And, as you know, it has enormous responsibilities.

As Treasury Secretary, your every word and action will have far-reaching consequences for our domestic economy, and the world economy. Therefore, I would like to use this opportunity to begin a discussion about our country's stagnant economic condition.

The economy remains fragile. There are some positive signs. On the other hand, we have lost 1.7 million jobs since March of 2001. Two years ago, the unemployment rate was below 4 percent. During 2002, the rate hovered near 6 percent all year. Industry is operating at only about 75 percent of capacity and businesses have stopped investing in new equipment and facilities, for the most part.

The University of Michigan's survey of consumer confidence has fallen from 107.6 in December of 2000 to 86.7 in December of 2002 and the uncertainty generated by the issues relating to Iraq hurts the economy even further.

So what can we do? The Fed has cut the short-term interest rate eleven times. There's not much further to go, even if the Fed wanted to. That means that we must turn to fiscal policy. In mainstream economic policy, fiscal policy means cutting taxes and increasing spending.

I commend the President for recognizing the problem and proposing an economic growth package. I am committed to working with the Administration to try to find common ground. At the same time, I would like to suggest three ways in which we may be able to improve on the President's package.

First, we need to keep an eye on the deficit. Simply put, deficits matter. They drive up long-term interest rates today and they threaten our children's economic future. I am pleased, Mr. Snow, that you have recognized this. You have stated that a "balanced federal budget is the best choice to ensure a bright future for the nation's economy, American workers, consumers and taxpayers - and most of all, for future generations." I agree.

Unfortunately, the President's plan would make the deficit worse, not better. If enacted, the President's tax proposals would increase the deficit \$674 billion over the next ten years. If you add the interest costs, the President's plan will add almost \$1 trillion to the national debt. That worries me, Mr. Snow. I hope it worries you. And I hope we can count on you to continue your advocacy of a conservative fiscal policy and a balanced budget.

My second suggestion is that we improve the President's proposal by doing more to help the states. States are facing their worst budget crisis in many decades. In fiscal years 2002 through 2004, the states have been – and will – face deficits totaling \$171 billion. My state of Montana is facing a budget deficit of \$184 million.

States face balanced budget requirements in their Constitutions. So states may be forced to take steps that can only make the economy worse. They'll have to cut spending and increase taxes. That will mean less spending by households and businesses and, as a result, an even weaker economy.

We need to break this downward spiral. Therefore, I believe that the centerpiece of any plan should be one-time grants to the states. I have put forward a proposal for grants of \$75 billion to the states. As a result, states wouldn't have to lay-off workers. They wouldn't have to shut down vital services, such as healthcare and education. They wouldn't have to raise taxes. Any plan that lacks a state relief component will ultimately fail to stimulate the economy. Attempts by Congress to spur the economy will fail if, at the same time, states are forced to raise taxes, cut spending, and eliminate jobs. Unfortunately the President's plan doesn't have such assistance for the states. We need to do better.

My third suggestion is that we can improve the President's proposal by putting money into the hands of all taxpayers, and not leave out any of them. There are many

households who are hit hard by this economic slump. The ones with overdue bills and immediate expenses. These households will spend any tax cuts immediately and help stimulate the economy.

The President's plan includes an acceleration of many of the tax cuts that were enacted in 2001. I fully support acceleration of some of the tax cuts, but thirty million of America's households won't receive any benefits at all. That concerns me.

I also believe we need to accelerate the reduction of marriage penalties for households receiving the earned income tax credit. And accelerate the phase-in of the refundable portion of the child tax credit from the 2001 tax cut. I believe that we should go further, by completely eliminating the income tax on the first \$3,000 of wages.

These are my main suggestions. Keep an eye on the deficit. Help states. Do more for all taxpayers. I want to make sure that the Montana rancher who makes \$30,000 a year benefits from a stimulus package.

I hope, Mr. Snow, that you will take these suggestions to heart, so that we can work together, in the bipartisan tradition of this committee, to pass a solid proposal that helps restore economic growth.

Let me turn briefly to a different, but equally important, issue. Medicare. The Secretary of the Treasury wears many hats. One of them is to be the Managing Trustee of the Medicare Trust Funds. So I want to express a concern. There were reports in the paper last week describing the Administration's proposal for Medicare reform. The reports say that the President will propose a prescription drug benefit, but one that would only be available to seniors who enroll in a private health plan.

If these reports are true, they represent a dramatic change. In the debate last year over prescription drugs, there was wide-spread consensus among Democrats and Republicans that all Medicare beneficiaries should have access to a drug benefit. Even if they remain in the traditional fee-for-service program.

If the reports about the President's proposal are true, his plan would represent a departure from this bipartisan consensus. I am anxious to hear more from you about the Administration's Medicare plan.

Mr. Snow, the challenges ahead are difficult. The American people are anxious about the prospect of war, prescription drugs, and the health of the economy. I hope you will use the opportunity this morning to shed some light on those areas of the President's agenda for 2003.

I congratulate you on your nomination.